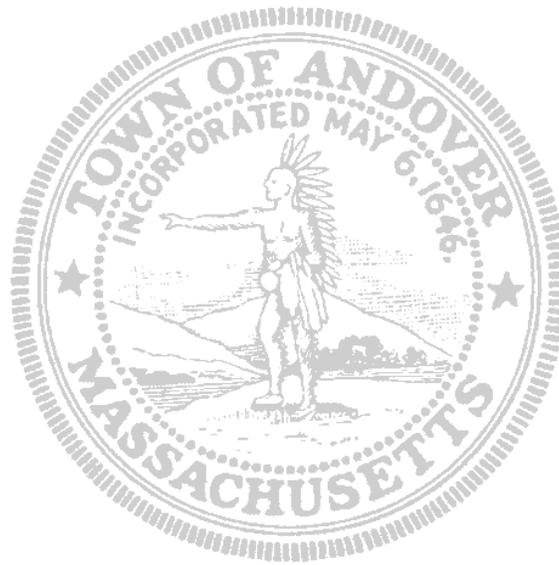


**TOWN OF ANDOVER**

**BUDGET REFERENCE**

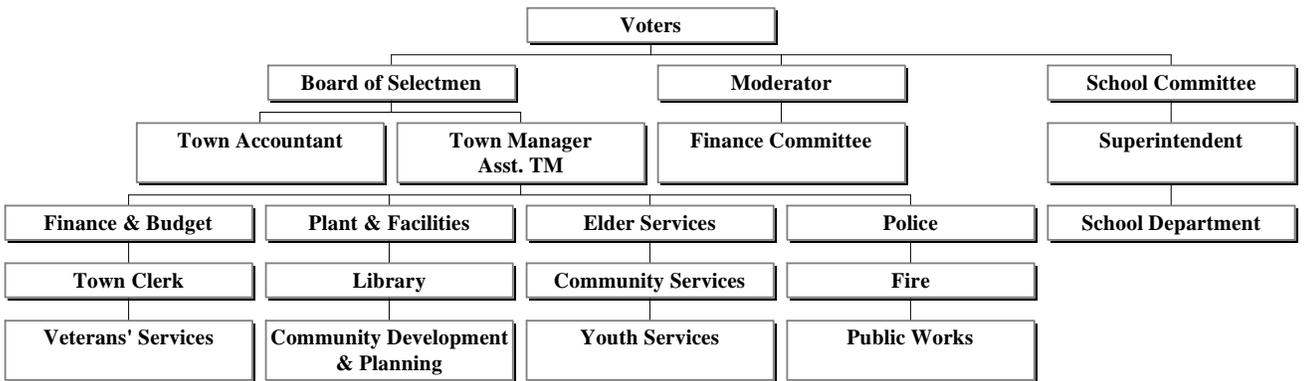
**INFORMATION**



***FY2004***

***TOWN MEETING APPROVED***

# TOWN OF ANDOVER



# **BUDGET PROCESS**

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The Town of Andover operates under state statutes, locally adopted by-laws, and a Town Charter (Chapter 571 of the Acts of 1956, as amended). The Charter establishes a Selectmen/Town Manager/Open Town Meeting form of government. The five-member Board of Selectmen are according to the Charter "The Makers of policy of the Town Government" (Section 1 - Board of Selectmen), and the Town Manager serves as the Chief Administrative Officer (Section 10 - Powers and Duties).

Financial projections are prepared as part of the Capital Improvement Program for the upcoming fiscal year by the middle of September. These projections are discussed in joint planning sessions with the Strategic Planning Task Force (members of the Board of Selectmen, School Committee and Finance Committee). The projections assist in establishing budget preparation guidelines. In November, the Town Manager distributes his budget guidelines and worksheets to all departments for the next fiscal year starting July 1<sup>st</sup>. Departments prepare their budget requests and return all information to the Finance Director and Town Manager by early winter. During January they meet with department heads to discuss requests.

The Charter requires the Town Manager to submit his recommended budget to the Board of Selectmen and Finance Committee (Section 15 - Estimate of Expenditures). Town By-law, Article IV, Section 6, stipulates that the annual budget shall be submitted to those bodies on or before the first Friday of February of each year.

During the months of February and March the Board of Selectmen and Finance Committee conduct a joint series of public meetings to review and discuss the departmental budgets. These meetings are open for questions from the public. Meeting notices are posted at least 48 hours in advance and the schedule is posted in the local newspaper and on the local government channel 22. The Finance Committee responsibilities are described in Town By-laws Article III, Section 3 (Composition; term of office; powers and duties). The Town Meeting voters are advised on all financial matters by a nine member Finance Committee appointed by the Town Moderator who is elected each year.

## **BUDGET APPROPRIATION AND AMENDMENT**

The legislative body of the Town is an "open town meeting." All registered voters are entitled to attend and vote on any matter that comes before the Town Meeting. Town Meeting has the authority to appropriate funds for the operating and capital budget except for specific cases where state statutes or regulations do not require appropriation. Any amendments to appropriations require Town Meeting vote at either a regular or special town meeting. (Massachusetts General Laws, Chapter 40, Section 5). The procedures for a town meeting are specified in Town By-laws Article II. The Town Meeting warrant (items to be voted on) is published in the local newspaper at least 14 days before the day of the town meeting.

The Finance Committee mails the warrant and its report and recommendations to all households at least 10 days prior to the Annual Town Meeting.

At Town Meeting, reports and recommendations are presented by the Board of Selectmen, Finance Committee, Planning Board, and other interested parties. Town Meeting votes and appropriates the budget and all other financial articles presented at a town meeting.

## **BUDGET BASIS**

The budget for the Town is presented on a cash basis. This means that transactions are recorded when expenditures are disbursed and when revenues are received. Obligations of the town (i.e., outstanding purchase orders) are not reflected as expenditures in the year incurred but are reflected in the year disbursed. Funds for these obligations are reflected as "continued" appropriations from the prior fiscal year.

The budget presents only the General Fund and the Enterprise Funds, which are required by state statute to be appropriated by Town Meeting. Revenues from various Special Revenue Funds are shown as credits within specific department budgets to provide a funding source for specific purposes.

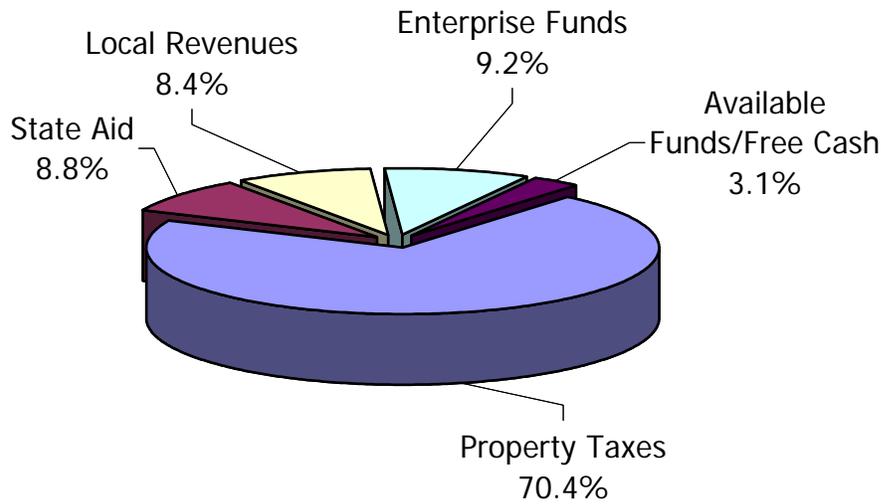
# BUDGET PROCESS

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## BUDGET SCHEDULE

September - October	Pre-budget Planning: Financial forecast and Capital Improvement Program prepared and distributed to Selectmen, Finance Committee and School Committee. Strategic Planning Task Force holds planning meetings.	
November - January	All Town departments submit budget requests to the Town Manager.	All School departments submit budget request to the Superintendent of Schools.
January	Town Manager reviews budget requests and submits his recommended annual budget (this document) to the Board of Selectmen and the Finance Committee.	School Superintendent review budget requests and submits her recommended budget to the Town Manager and School Committee.
February - April	Board of Selectmen and Finance Committee Review Town Manager's Proposed Budget and CIP.	School Committee and Finance Committee review Superintendent's Preliminary Budget.
April	Final Board of Selectmen, Finance Committee and Town Manager recommendations are published and sent to all households in Andover.	School Committee finalizes recommendations and submits them for inclusion in the Finance Committee Report.
Ten days before first Town Meeting business session	Finance Committee report, including Town Meeting Warrant, mailed to all Andover households ten days prior to the start of Town Meeting.	

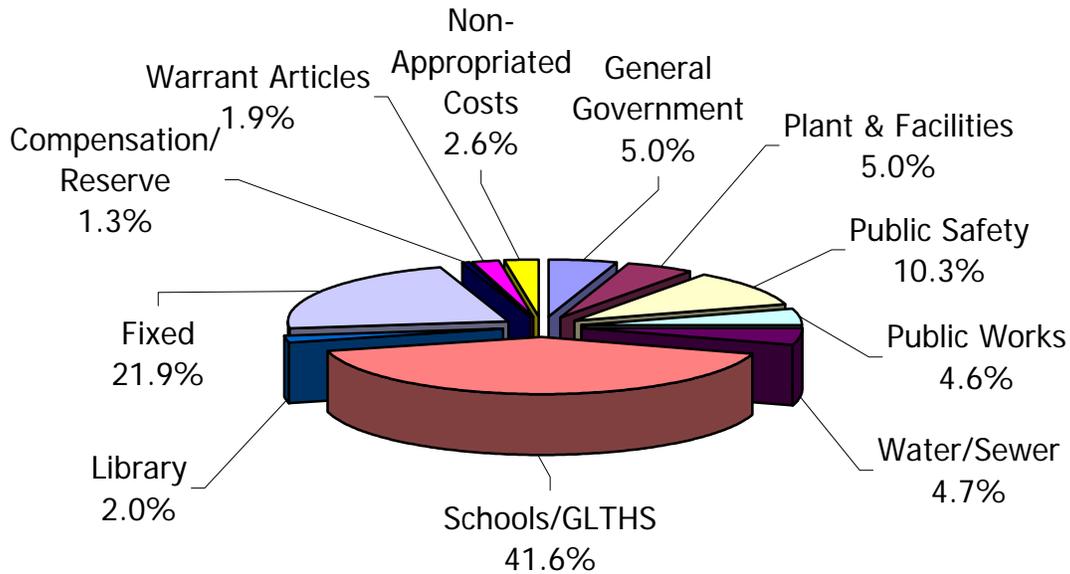
# WHERE THE MONEY COMES FROM FY2004



## FINANCE COMMITTEE REPORT - FY2004

Property Taxes	\$79,567,031
State Aid	\$9,972,876
Local Revenues	\$9,526,000
Enterprise Funds	\$10,357,502
Available Funds/Free Cash	<u>\$3,558,014</u>
	\$112,981,423

# WHERE THE MONEY GOES FY 2004

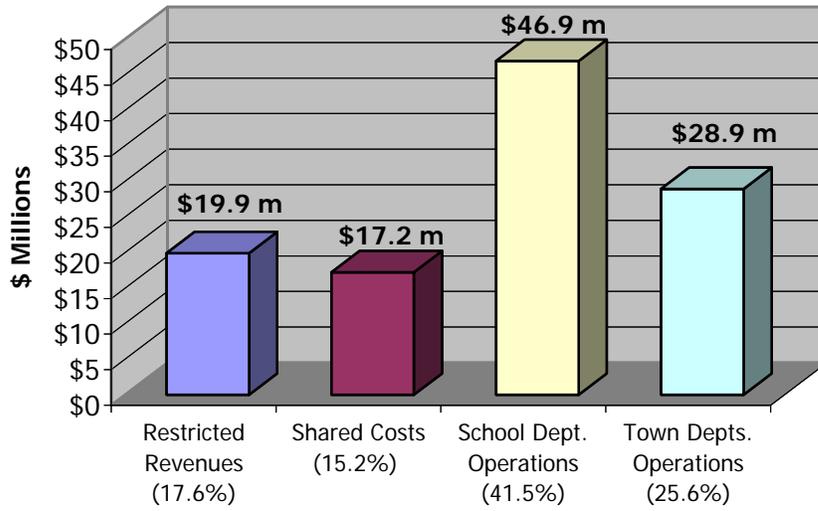


## FINANCE COMMITTEE REPORT - FY2004

General Government	\$5,666,086
Plant & Facilities	\$5,603,861
Public Safety	\$11,628,594
Public Works	\$5,224,190
Water/Sewer	\$5,333,411
Schools/GLTHS	\$47,005,068
Library	\$2,231,196
Fixed	\$24,695,842
Compensation/Reserve	\$600,000
Warrant Articles	\$2,112,000
Non-Appropriated Costs	<u>\$2,881,175</u>
	\$112,981,423

# Andover's FY2004 Budget

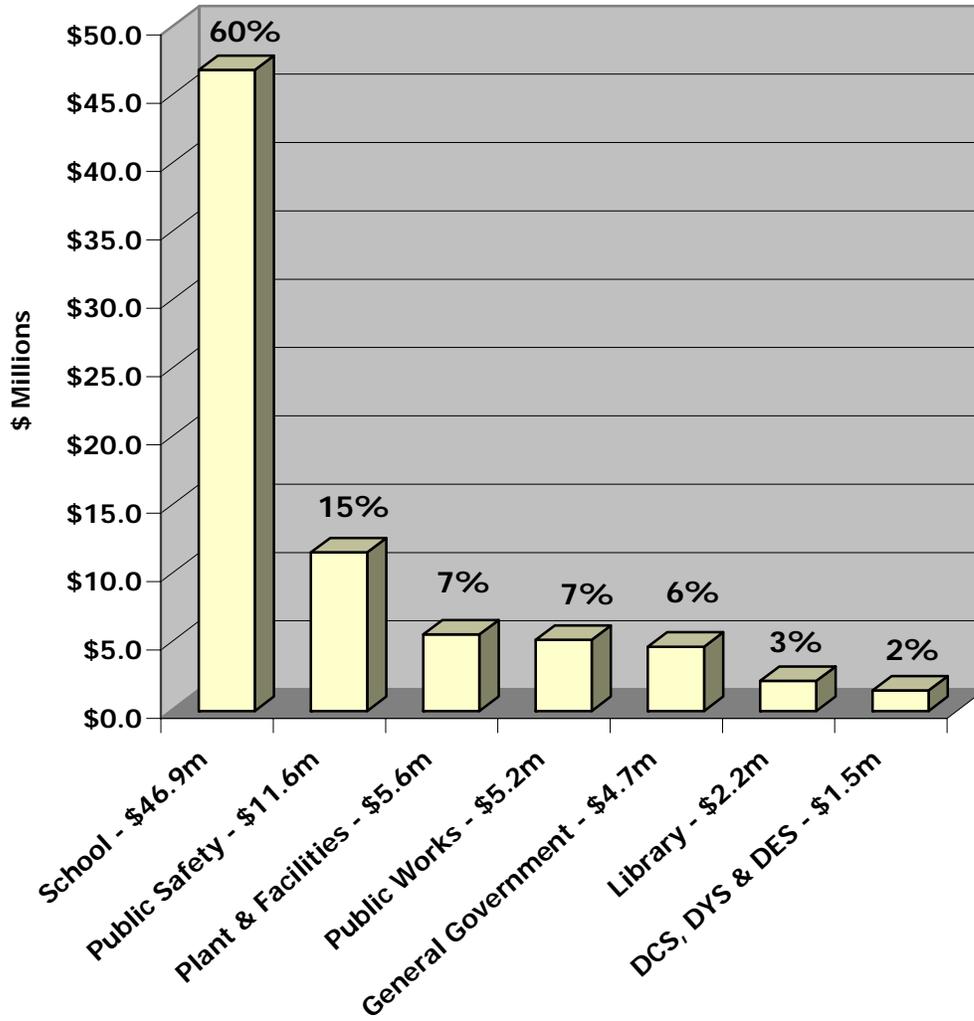
**\$112,981,423**



# Departmental Budgets - FY2004

## \$77.7 Million

(Including Offset Revenues)



**BUDGET PLANNING MODEL FY2005 - FY2009 (As of 11/25/03)**

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	
	Final	Projected	Projected	Projected	Projected	Projected	<u>ASSUMPTIONS</u>
<b><u>REVENUES</u></b>							
<b><u>PROPERTY TAXES</u></b>							
Prior year Tax Levy Limit	72,287,345	75,252,414	78,333,724	81,492,067	84,729,369	88,047,603	Beginning Tax Levy Limit
2.5% Increase	1,807,184	1,881,310	1,958,343	2,037,302	2,118,234	2,201,190	
General Override	0	0	0	0	0	0	
Certified New Growth	1,157,885	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	Estimate of new growth
Excess Tax Levy Capacity	(752)	0	0	0	0	0	No excess levy capacity
<b>TOTAL</b>	<b>75,251,662</b>	<b>78,333,724</b>	<b>81,492,067</b>	<b>84,729,369</b>	<b>88,047,603</b>	<b>91,448,793</b>	
<b><u>ADDITIONAL PROP 2 1/2 PROPERTY TAXES</u></b>							
Debt Service Exclusion (Existing)	5,291,183	4,964,627	4,819,977	4,742,092	4,609,904	4,459,254	
Debt Service Exclusion estimate (To be borrow less Adjustment from prior year	517,000 (19,802)	620,000	1,152,000	2,391,000	2,042,000	1,993,000	Estimate of additional exempt debt service
Less State Reimbursement	(1,875,703)	(1,894,649)	(1,894,649)	(3,289,830)	(3,289,830)	(3,289,830)	State aid for AHS, South and Sanborn. Elem/Middle in FY2007 (projected)
<b>TOTAL</b>	<b>3,912,678</b>	<b>3,689,978</b>	<b>4,077,328</b>	<b>3,843,262</b>	<b>3,362,074</b>	<b>3,162,424</b>	
<b><u>STATE AID</u></b>							
Chapter 70 Education Aid	4,945,356	4,450,000	4,450,000	4,450,000	4,450,000	4,450,000	10% reduction
Chapter 70 Education Aid for Regional Schools	0	0	0	0	0	0	
School Transportation & State Ward Reimb	0	0	0	0	0	0	
School Construction Reimb SBAB	1,875,703	1,894,649	1,894,649	3,289,830	3,289,830	3,289,830	State aid for new schools delayed until FY2007
Transitional Local Aid Mitigation	0	0	0	0	0	0	
Reserve for Direct Expenditures	55,531	55,531	55,531	55,531	55,531	55,531	
Other General Government Aid	745,759	745,759	745,759	745,759	745,759	745,759	
Lottery	1,576,354	1,420,000	1,420,000	1,420,000	1,420,000	1,420,000	10% reduction
<b>TOTAL</b>	<b>9,198,703</b>	<b>8,565,939</b>	<b>8,565,939</b>	<b>9,961,120</b>	<b>9,961,120</b>	<b>9,961,120</b>	
<b><u>GENERAL LOCAL REVENUES</u></b>							
Motor vehicle Excise	4,567,000	4,800,000	5,040,000	5,292,000	5,556,600	5,834,430	
Licenses/Permits	1,220,000	1,220,000	1,220,000	1,220,000	1,220,000	1,220,000	
Penalties/Interest	300,000	300,000	300,000	300,000	300,000	300,000	
Fines	415,000	415,000	415,000	415,000	415,000	415,000	
General Government	305,000	305,000	305,000	305,000	305,000	305,000	
Fees	76,000	76,000	76,000	76,000	76,000	76,000	
Schools	30,000	30,000	30,000	30,000	30,000	30,000	
Investment Income	413,000	413,000	413,000	413,000	413,000	413,000	
Hotel/Motel Excise	862,000	905,000	950,250	997,763	1,047,651	1,100,033	
Library	21,000	21,000	21,000	21,000	21,000	21,000	
Cemetery	43,000	43,000	43,000	43,000	43,000	43,000	
Miscellaneous	2,000	2,000	2,000	2,000	2,000	2,000	
<b>TOTAL</b>	<b>8,254,000</b>	<b>8,530,000</b>	<b>8,815,250</b>	<b>9,114,763</b>	<b>9,429,251</b>	<b>9,759,463</b>	Collected by departments , not reserved for special purposes
<b><u>OFFSET LOCAL REVENUES</u></b>							
Community Services	507,000	507,000	507,000	507,000	507,000	507,000	
Elder Services	162,000	162,000	147,010	147,010	147,010	147,010	
Municipal Facilities	100,000	100,000	100,000	100,000	100,000	100,000	
Police Grants	50,000	50,000	13,000	13,000	13,000	13,000	
Police Off-Duty Fee	60,000	60,000	60,000	60,000	60,000	60,000	
Medicaid Reimbursement	40,000	40,000	40,000	40,000	40,000	40,000	
Ambulance	700,000	700,000	700,000	700,000	700,000	700,000	
<b>TOTAL</b>	<b>1,619,000</b>	<b>1,619,000</b>	<b>1,567,010</b>	<b>1,567,010</b>	<b>1,567,010</b>	<b>1,567,010</b>	Reserved for direct expenditure within department budgets
<b><u>ENTERPRISE FUNDS INDIRECT COSTS</u></b>							
Indirect Costs to General Fund	1,299,327	1,262,473	1,330,800	1,403,062	1,479,511	1,560,411	From Water and Sewer Enterprise Fund
<b>TOTAL</b>	<b>1,299,327</b>	<b>1,262,473</b>	<b>1,330,800</b>	<b>1,403,062</b>	<b>1,479,511</b>	<b>1,560,411</b>	
<b><u>OTHER AVAILABLE FUNDS</u></b>							
Off-Street Parking Fund (Operating Budget)	79,707	79,707	79,707	79,707	79,707	79,707	
Off-Street Parking Fund (Capital Projects)	0	0	0	0	0	0	
Stabilization Fund	0	0	0	0	0	0	
Cemetery interest/lots	155,000	155,000	155,000	155,000	155,000	155,000	
CD&P Grants/Wetland fees	6,000	6,000	6,000	6,000	6,000	6,000	
Bond Premium reserved for debt service							
Warrant Article Balances	433,725	0	0	0	0	0	
<b>TOTAL</b>	<b>674,432</b>	<b>240,707</b>	<b>240,707</b>	<b>240,707</b>	<b>240,707</b>	<b>240,707</b>	Reserved for direct expenditure within department budgets
<b><u>FREE CASH</u></b>							
Capital Projects Article	0	300,000	300,000	300,000	300,000	300,000	
Operating budget	1,205,307	1,000,000	300,000	300,000	300,000	300,000	300,000 support for the operating budget + \$700,000 for unemployment costs
Other Articles	1,649,775	300,000	300,000	300,000	300,000	300,000	Estimate of other town and/or private warrant articles
<b>TOTAL</b>	<b>2,855,082</b>	<b>1,600,000</b>	<b>900,000</b>	<b>900,000</b>	<b>900,000</b>	<b>900,000</b>	
<b>* GRAND TOTAL REVENUES *</b>	<b>103,064,884</b>	<b>103,841,821</b>	<b>106,989,101</b>	<b>111,759,293</b>	<b>114,987,276</b>	<b>118,599,928</b>	
<b>INCREASE OVER PRIOR YEAR</b>	<b>3.20%</b>	<b>0.80%</b>	<b>3.00%</b>	<b>4.50%</b>	<b>2.90%</b>	<b>3.10%</b>	

**BUDGET PLANNING MODEL FY2005 - FY2009 (As of 11/25/03)**

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
	<u>Final</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected ASSUMPTIONS</u>
<b><u>EXPENDITURES</u></b>						
<b><u>OBLIGATIONS</u></b>						
Retirement	3,658,024	3,730,000	3,841,308	3,954,638	4,073,384	4,151,752 <i>Based on 2002 actuarial study and PERAC requirements</i>
Insurance/Unempl Comp	1,236,000	1,430,000	751,900	774,457	797,691	821,621 <i>Early estimate of insurance renewals &amp; unemployment compensation</i>
Health insurance	6,975,000	8,370,000	10,044,000	11,048,400	12,153,240	13,368,564 <i>Assumes level enrollment, rate and claims increase 20% FY05</i>
State/County Assmts.	1,399,844	1,435,000	1,470,875	1,507,647	1,545,338	1,583,971
Overlay	703,742	700,000	735,000	771,750	810,338	850,854 <i>Reserve for tax exemptions/abatements</i>
GLTHS	90,348	90,000	92,250	94,556	96,920	99,343
Regional Library	340,000	306,000	275,400	275,400	275,400	275,400
Stabilization Fund	0	0	0	0	0	0
Special Education out of district	4,828,634	5,566,000	6,122,600	6,734,860	7,408,346	8,149,181 <i>Proj FY04 expend \$4,840,000 plus 15%</i>
Reserve for Direct Expenditures	55,531	60,000	60,000	60,000	60,000	60,000
Other Local Expenditures	<u>20,126</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u> <i>Reserve for overlay/other deficits</i>
<b>TOTAL</b>	<b>19,307,249</b>	<b>21,987,000</b>	<b>23,693,333</b>	<b>25,521,708</b>	<b>27,520,656</b>	<b>29,660,687</b>
<b><u>DEBT SERVICE</u></b>						
Existing Non-Exempt General Fund Debt	2,836,285	2,736,686	2,238,146	1,881,317	1,686,134	1,632,289 <i>Existing debt service as of 6/30/03 refunding issue (excludes Prop 2 1/2 exempt debt)</i>
Appropriated/Not Borrowed Non- Exempt Gener CIP Proposed FY2005	187,000	608,000	928,000	1,428,000	1,390,000	1,353,000 <i>Estimate of Non-Exempt Debt Service not yet borrowed</i>
General Fund Bond Issue Expense	80,000	80,000	80,000	80,000	80,000	80,000 <i>To be determined</i>
Appropriated/Not Borrowed Exempt	517,000	620,000	1,152,000	2,391,000	2,042,000	1,993,000 <i>Estimate of Exempt Debt Service not yet borrowed</i>
Existing Exempt Debt - School and Public Safet	<u>5,380,292</u>	<u>4,964,627</u>	<u>4,819,977</u>	<u>4,742,092</u>	<u>4,609,904</u>	<u>4,459,254</u> <i>Existing Proposition 2 1/2 exempt debt service costs</i>
<b>TOTAL</b>	<b>9,000,577</b>	<b>9,009,313</b>	<b>9,218,123</b>	<b>10,522,409</b>	<b>9,808,038</b>	<b>9,517,543</b>
<b><u>JOINT EXPENSES</u></b>						
Human Resources	359,619	366,811	377,815	389,150	400,824	412,849 <i>Estimate to be included in School FY2005 budget</i>
Plant and Facilities	2,438,918	2,438,918	2,512,086	2,587,448	2,665,072	2,745,024 <i>Estimate to be included in Town FY2005 Budget</i>
Capital Projects Fund	<u>1,751,000</u>	<u>2,316,836</u>	<u>2,379,782</u>	<u>2,475,186</u>	<u>2,539,746</u>	<u>2,611,999</u> <i>Included in P and F CIP budget</i>
<b>TOTAL</b>	<b>4,549,537</b>	<b>5,122,565</b>	<b>5,269,683</b>	<b>5,451,784</b>	<b>5,605,641</b>	<b>5,769,871</b>
<b><u>OFFSET EXPENDITURES</u></b>						
<i>Expenditures are offset by dedicated revenues</i>						
Community Services	507,000	507,000	507,000	507,000	507,000	507,000
Elder Services	162,000	162,000	147,010	147,010	147,010	147,010
Community Development	6,000	6,000	6,000	6,000	6,000	6,000
Fire	700,000	700,000	700,000	700,000	700,000	700,000
Police	189,707	189,707	152,707	152,707	152,707	152,707
Cemetery	155,000	155,000	155,000	155,000	155,000	155,000
Medicaid services	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
<b>TOTAL</b>	<b>1,759,707</b>	<b>1,759,707</b>	<b>1,707,717</b>	<b>1,707,717</b>	<b>1,707,717</b>	<b>1,707,717</b>
<b><u>ARTICLES</u></b>						
From Free Cash	1,649,775	600,000	600,000	600,000	600,000	600,000 <i>For Capital Projects and other warrant articles</i>
From Taxation	0	25,000	25,000	25,000	25,000	25,000 <i>Elderly/disabled transportation program</i>
Other Available Funds	<u>433,725</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b>2,083,500</b>	<b>625,000</b>	<b>625,000</b>	<b>625,000</b>	<b>625,000</b>	<b>625,000</b>
<b>* TOTAL DEDUCTIONS *</b>	<b>36,700,570</b>	<b>38,503,585</b>	<b>40,513,856</b>	<b>43,828,618</b>	<b>45,267,053</b>	<b>47,280,818</b>
<b>BALANCE FOR OPERATIONS</b>	<b>66,364,314</b>	<b>65,338,236</b>	<b>66,475,245</b>	<b>67,930,675</b>	<b>69,720,223</b>	<b>71,319,110</b> <i>Amount available for operating budget</i>
<b>OPERATING BUDGET</b>						
<b>INCREASE OVER PRIOR YEAR</b>	<b>-1.03%</b>	<b>-1.55%</b>	<b>1.74%</b>	<b>2.19%</b>	<b>2.63%</b>	<b>2.29%</b> <i>Available % increase from prior year</i>

# BUDGET MODEL GLOSSARY

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## REVENUES

### **PROPERTY TAXES**

Proposition 2 ½ as amended limits the total property tax levy to a maximum increase of 2½ % over the prior year's levy limit plus an amount allowed for new construction in town. Base is related to the prior year's actual property tax levy and levy limit. New Growth shows the taxes anticipated from new building in town during the prior fiscal year. The growth figure is calculated using the prior year's tax rates. Additional amounts may be added for overrides through ballot votes and permanently increase the levy limit.

### **ADDITIONAL PROPERTY TAXES**

Proposition 2 ½ allows communities, by ballot vote, to raise additional property taxes for specific purposes for a limited time. Property taxes can be raised to fund the debt service costs of these specific projects (less State reimbursement).

### **STATE AID**

Funds received from the State on the Cherry Sheet are based on a variety of formulas and the level of funding is determined each year by the State Legislature.

Chapter 70 - Chapter 70 School Aid is based upon a distribution formula adopted in FY1994. The amount of money Andover receives each year from the state depends both on how much is available for local aid and the distribution formula for those funds.

Education Offset Items - This program provides partial reimbursement for costs incurred in serving lunches to school children. While these funds are not appropriated by Town Meeting (i.e. lunch program money earmarked for specific purposes), they are included in the Budget Model to keep it consistent with the Cherry Sheet. The expenditure of these funds is shown on the School line under Offset Expenditures.

Education Reimbursements - Provides partial reimbursement for local expenditures for school transportation programs and costs for providing education to state wards.

Education Reimbursement SBAB - State share of school construction costs. Andover will receive 60% reimbursement for debt services costs for its school building projects.

General Government Offset Items - Chapter 78 funds for public libraries. The expenditure of these funds is included under Offset Expenditures, Library.

General Government Distribution - Funds from a variety of programs including Regional Library money, Police Career Incentive, Highway Funds, Andover's share of Lottery proceeds, and state reimbursements for certain exemptions and state-owned land. The amount included here for the Regional Library System is matched by the Regional Library appropriation under Obligations.

### **GENERAL LOCAL REVENUES**

Motor Vehicle Excise - Limited by Proposition 2 ½ to \$25 per \$1,000 valuation, the revenue from this tax is directly related to the number and value of motor vehicles registered in town.

Licenses - Included are fees from licenses granted by the Board of Selectmen, fees collected for building permits and licenses granted by the police and fire departments and Town Clerk. The majority of this revenue is directly related to the amount of construction in town.

# BUDGET MODEL GLOSSARY

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## GENERAL LOCAL REVENUES CONTINUED

Penalties/Interest - Interest and penalty charges for late payment of taxes.

Fines - Revenues from motor vehicles violations, court fines and parking tickets.

General Government - Fees for services provided by various town offices such as copies of public records, certificates of liens, tax title redemptions, etc.

Fees - Fees collected by the various offices.

Schools - Fees collected by the School Department.

Investment Income - Revenue generated by the Town Treasurer by investing town funds. This revenue is directly related to the level of cash balances and market interest rates.

Hotel/Motel Excise - Revenue from the 4% room occupancy tax voted by the 1986 Town Meeting.

Library - Miscellaneous library fees.

Cemetery - Fees collected by Spring Grove Cemetery not reserved for perpetual care.

Miscellaneous - Housing Authority payments in lieu of taxes, reimbursements for Veterans expenses, and miscellaneous School Department income.

## OFFSET LOCAL REVENUES

Community Services and Elder Services - Income from programs run by the Departments of Community Services and Elder Services. The portion of departmental operating costs covered by these revenues is shown under Offset Expenditures, Community Services/Elder Services. These funds are appropriated in the General Government budget.

Municipal Facilities - Fees from rental of Town and School buildings are used to offset the costs of the Municipal Buildings budget. These funds are appropriated in the Plant and Facilities budget.

Police Grants -

Police Off-duty Fee -

Medicaid Reimbursement -

Ambulance - Income from ambulance fees is used to offset the cost of providing ambulance service. The portion of the Fire Department budget covered by these fees is shown under Offset Expenditures, Fire.

## ENTERPRISE FUNDS INDIRECT COSTS

Water - The Board of Selectmen has adopted the policy of establishing water rates for a self-sufficient water system. All capital, operating and indirect costs of Andover's water system will be covered by water revenues. Debt service for water mains and the water treatment plant is shown under Debt Service. Water Department operating costs are shown under Offset Expenditures, Water Division. Indirect costs for such things as health insurance for water department employees, billing and accounting, etc., are included in other departmental budgets and are included in the cost analysis when water rates are set.

# BUDGET MODEL GLOSSARY

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Sewer - The Board of Selectmen has adopted a policy of establishing sewer rates for a self-sufficient sewer system. All sewer capital, operating and indirect costs will be covered by sewer revenues. Debt service for sewer projects is shown under Debt Service. Sewer Department operating costs, including Andover's share of the costs of the Greater Lawrence Sanitary District, appear under Offset Expenditures, Sewer Division. Indirect costs are funded in other departmental budgets and are included in the cost analysis when sewer rates are set.

## **OTHER AVAILABLE FUNDS**

Off-Street Parking Fund - Revenues from parking meters are used to offset the salary of the meter person plus parking related expenses which are appropriated in the Police Budget.

MVLC/Library Aid - Fees charged member communities of the Merrimack Valley Library Consortium for their shares of the operating costs of the library computer and state aid to public libraries. These funds are included on the expenditure side of the model under Offset Expenditures, Library, and appropriated in the Library budget.

Cemetery Interest/Lots - Perpetual Care interest income and income from sale of lots is used to offset a portion of the operating costs of the Spring Grove Cemetery. These funds are appropriated in the Plant and Facilities Budget.

Wetland Filing Fees - Funds reserved for use by the Community Development Office to offset conservation and wetland protection costs.

## **FREE CASH**

The State certifies a certain portion of a town's surplus revenues as legally available for spending by Town Meeting. This amount is known as Free Cash. Articles matches the Articles/Free Cash line on the expenditure side of the model. Andover has tried to maintain a Free Cash certification of 3-5% of total budget as a reserve which can be tapped in case of emergency and to provide enough cash in the bank to meet payrolls and pay the bills without having to borrow in anticipation of taxes. The 3-5% goal is a widely accepted measure of good financial standing and a factor in Andover's bond rating. The recommendation about the use of Free Cash is based on actual revenue collections for the current fiscal year and the adopted goal of the Board of Selectmen.

## **EXPENDITURES**

Note: All joint or so-called "bucket" expenditures are subtracted first from total revenues, and are either fixed by some outside authority, totally supported by earmarked revenues, or designated as general obligations of the community by agreement of the Board of Selectmen, School Committee, and Finance Committee.

## **OBLIGATIONS**

Retirement - Expenses for pensions for retired town and school employees (except teachers). There are specific line items voted by Town Meeting for retirement expenses. The amount budgeted is determined by the Public Employee Retirement Administration, a state agency, and is based on the Town's funding schedule. Costs for the Town's share of the teachers early retirement incentive program are also included. Budgeting and administration are the responsibility of the Retirement Board.

Insurance - The combined costs of all insurance policies for both Town and Schools and unemployment compensation. There are specific line items voted by Town Meeting for these purposes. Budgeting and administration are the responsibility of the Town Manager.

# BUDGET MODEL GLOSSARY

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Health Insurance - The Town share of health insurance costs for all Town and School employees and retirees (except teachers). Town Meeting votes a specific appropriation for the Health Insurance Fund. The level of benefits offered to Town and School employees is set through collective bargaining. Budgeting and administration are responsibilities of the Town Manager.

State/County Assessments - Cherry Sheet charges for Andover's share of the costs of Essex County, the Regional Transit Authority, and other State assessments (including cost of retired teachers' health insurance). These funds are not appropriated by Town Meeting.

Overlay - An amount which must be held in reserve for property tax abatements and exemptions. It is greater in revaluation years. These funds are not appropriated by Town Meeting. The amount is determined by the Board of Assessors and included in the calculation of the tax rate.

GLTHS - Andover's share of the costs of the Greater Lawrence Technical High School. The regional school budget is prepared by the regional school committee. Town Meeting votes a specific appropriation for this purpose.

Regional Library - The operating cost for the Regional Library System headquartered in Andover. The dollar amount matches the Regional Library revenue from the State. It is appropriated by Town Meeting as part of the Library budget.

Stabilization Fund - Money that is set aside each year for future needs. Town Meeting votes a specific appropriation for this purpose.

Special Education - Out of District - Tuition and transportation costs for special needs students whose education plans require special placements because appropriate programs are not available in the Andover Public Schools. Budgeting and administration are responsibilities of the School Committee. The funds are appropriated by Town Meeting in the School Budget.

Other Local Expenditures - Miscellaneous tax title expenses, court judgments, etc., which are added to the amount needed to be raised by the Town when the tax rate is set. Revenue and overlay deficits appear in this line. Over expenditures for snow removal or debt service would also show up here. These funds are not appropriated by Town Meeting.

## **DEBT SERVICE**

These lines include all payments due in the current fiscal year on bonds for all capital projects for both Town and Schools, long term lease obligations for the Town Offices and the Library, short term interest expenses and debt issuing expenses. Debt service for water and sewer projects is shown separately so that total water and sewer costs can be compared with revenues from water and sewer user fees. Also shown separately is debt service for projects approved with debt exclusion overrides of Proposition 2 ½ . Town Meeting appropriates specific amounts for principal and interest expenses. The Town Manager is responsible for budgeting and management of the Town's debt service.

## **JOINT EXPENSES**

Human Resources - The salaries and expenses for the Personnel Department which serves both Town and Schools (excluding the School's substitute coordinator). The appropriation for this purpose can be found in the School Budget.

## **JOINT EXPENSES CONTINUED**

# **BUDGET MODEL GLOSSARY**

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Plant and Facilities Operations - Salaries and expenses for Plant and Facilities Administration, Building Maintenance, and Plumbing, Heat, and Electrical divisions of the Plant and Facilities Department. The other divisions (Parks and Grounds, Forestry, Cemetery and Vehicle Maintenance) are included in the Town Operating Budget. The Plant and Facilities appropriation voted by Town Meeting covers both the "bucket" and town shares of the departmental costs as well as funding for Municipal Buildings and Maintenance Projects. The Town Manager has responsibility for budgeting and administration.

Capital Projects Fund - An amount appropriated each year for scheduled building repair, equipment, or improvement projects. These funds are included in the appropriation for Plant and Facilities. The Town Manager has responsibility for budgeting and administration. The policies determining the total amount to be budgeted for Maintenance Projects and selection of specific projects for funding are determined by the Board of Selectmen with the Town Manager in the Capital planning process.

## **OFFSET EXPENDITURES**

Each of these lines is offset by funds from a specific revenue source identified on the Revenue side of the Budget Model. The amount under School is not appropriated by Town Meeting and therefore is not included in the School Budget. It is administered by the School Department. Water and sewer operating costs are totally funded with water and sewer user fees. Funds for water and sewer operating costs are appropriated by Town Meeting in the Public Works Budget. Revolving funds are authorized by Town Meeting on an annual basis for specific purposes. Expenses must be offset by revenues. The amounts shown for Community Services, Council on Aging, Fire, Library and Cemetery match revenues budgeted for those purposes. The balances of the operating costs for those departments are included in the Town Operating Budget allocation. The funds for Community Services are included in the General Government appropriation voted by Town Meeting. Council on Aging is the state formula grant which partially funds the full-time activities coordinator. Fire is the portion of ambulance costs covered by user fees and is included in the Public Safety appropriation. Police includes the salary of the parking meter person and related expenses. Cemetery expenses offset by revenues are included in the Plant and Facilities appropriation. Medicaid is the reimbursement for services provided to students and is appropriated in the School Department. Budgeting and administration of all these offset expenditures, with the exception of the School offset lines, are responsibilities of the Town Manager. Policies determining the level of funding are controlled by the Board of Selectmen.

## **ARTICLES**

The amount allocated for warrant articles has usually matched the amount shown for that purpose under Free Cash. It is also possible to fund warrant articles from taxation, bonding, transfers of unexpended balances, grants, trust funds, etc. If an article were funded from taxation, this line would not match the Free Cash/Articles line. Projects funded by bonding affect future debt service expenses.

## **BALANCE FOR OPERATIONS**

This is the amount available for Town and School operations. The percentage increase over what was available for the prior fiscal year is calculated. Town and Schools each get the same percentage increase. Usually the School Budget is calculated first because it is simpler. The Town departmental budgets share the balance. This allocation is reviewed annually. Special circumstances in a particular year may result in an adjustment allocating a larger percentage increase to either Town or Schools.

# **BUDGET MODEL GLOSSARY**

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## **SCHOOL SHARE & TOWN SHARE**

The following calculation is used to arrive at equal percentage increases for the School and Town operating budgets.

1. Take prior year's School Budget
2. Subtract Joint Expenditures included in that year's School Budget (Personnel)
3. Subtract Medicaid.
4. Subtract Special Education Out of District and Transportation costs included in that year=s budget.
5. Add percentage increase for Balance Available. The result is the School share of the bottom line.
6. Add Joint Expenditures for this year (Personnel)
7. Add Special Education Out of District and Transportation Budget for this year.
8. Add Medicaid.
9. Total is School Budget appropriation

# ARTICLE 4

## 2003 TOWN MEETING - FY2004 OPERATING BUDGET

LINE ITEM	ACTUAL FY 2001	ACTUAL FY 2002	APPROP. FY 2003	ESTIMATED FY 2003	TOWN MTG APPROVED FY 2004	
<b>GENERAL GOVERNMENT</b>						
1	PERSONAL SERVICES	1,785,142	1,758,888	1,784,623	1,880,000	1,858,179
2	OTHER EXPENSES	954,984	936,194	1,044,871	1,044,871	1,002,285
	<b>TOTAL</b>	2,740,126	2,695,082	2,829,494	2,924,871	2,860,464
<b>COMMUNITY DEVELOPMENT</b>						
3	PERSONAL SERVICES	1,148,524	1,148,735	1,128,247	1,160,000	1,135,087
4	OTHER EXPENSES	152,739	125,772	131,925	131,925	107,200
	<b>TOTAL</b>	1,301,263	1,274,507	1,260,172	1,291,925	1,242,287
Line item 3 includes \$6,000 in receipts from wetland filing fees.						
<b>COMMUNITY SERVICES</b>						
5	PERSONAL SERVICES	496,675	589,602	564,349	620,000	586,627
6	OTHER EXPENSES	351,006	291,213	306,545	306,545	283,345
	<b>TOTAL</b>	847,681	880,815	870,894	926,545	869,972
Line item 5 and line item 6 include \$273,355 and \$233,645 respectively in receipts from programs and activities.						
<b>ELDER SERVICES</b>						
7	PERSONAL SERVICES	560,523	546,361	553,928	598,000	579,363
8	OTHER EXPENSES	153,744	116,027	127,700	127,700	114,000
	<b>TOTAL</b>	714,267	662,388	681,628	725,700	693,363
Line item 7 includes \$45,000 in federal grants, \$40,000 in grants and \$77,000 in meals donations, adult day receipts and newsletter ads.						
<b>PLANT AND FACILITIES</b>						
9	PERSONAL SERVICES	2,450,631	2,476,593	2,680,319	2,710,000	2,799,301
10A	OTHER EXPENSES	1,187,855	1,239,120	1,279,950	1,279,950	1,144,560
10B	CAPITAL PROJECTS FUND	2,036,739	1,972,148	2,252,000	1,942,000	1,660,000
	<b>TOTAL</b>	5,675,225	5,687,861	6,212,269	5,931,950	5,603,861
Line item 9 includes \$100,000 in rental receipts, \$80,000 from perpetual care and \$45,000 from sale of lots.						
Line item 10A includes \$30,000 from perpetual care						
<b>PUBLIC SAFETY</b>						
11	PERSONAL SERVICES	9,563,252	9,806,840	9,917,305	10,570,000	10,776,183
12	OTHER EXPENSES	683,420	673,029	782,410	782,410	852,411
	<b>TOTAL</b>	10,246,672	10,479,869	10,699,715	11,352,410	11,628,594
Line item 11 includes: \$50,000 - grants, \$60,000 - detail fees, \$68,107 - parking receipts and \$700,000 - ambulance collections						
Line item 12 includes \$11,600 from parking meter receipts.						
<b>PUBLIC WORKS</b>						
13	PERSONAL SERVICES	1,518,725	1,417,362	1,399,192	1,600,000	1,414,940
14	OTHER EXPENSES	5,085,606	3,595,995	4,096,050	4,800,000	3,809,250
	<b>TOTAL</b>	6,604,331	5,013,357	5,495,242	6,400,000	5,224,190

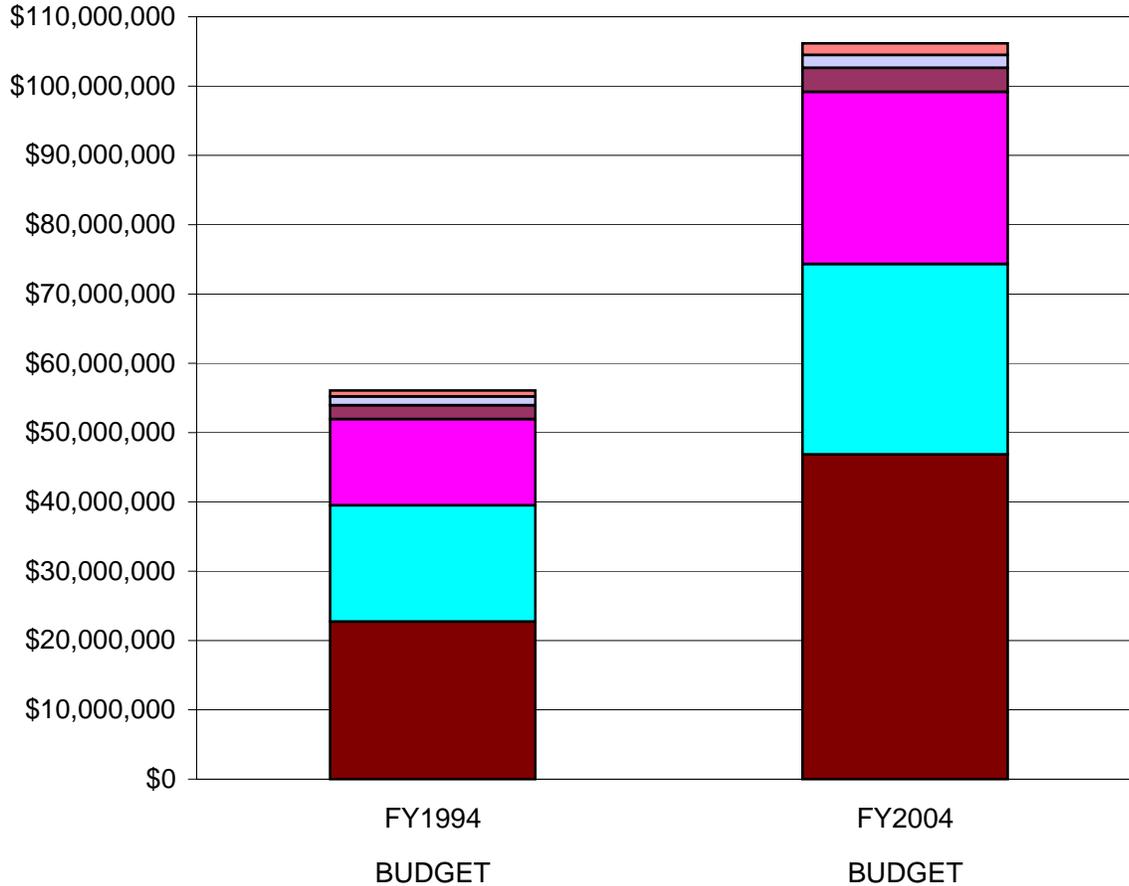
# ARTICLE 4

## 2003 TOWN MEETING - FY2004 OPERATING BUDGET

LINE ITEM	ACTUAL FY 2001	ACTUAL FY 2002	APPROP. FY 2003	ESTIMATED FY 2003	TOWN MTG APPROVED FY 2004	
<b>SEWER</b>						
15	PERSONAL SERVICES	229,373	251,145	329,952	329,952	329,532
16	OTHER EXPENSES	1,211,398	1,325,160	1,591,900	1,591,900	1,545,300
	<b>TOTAL</b>	1,440,771	1,576,305	1,921,852	1,921,852	1,874,832
<b>WATER</b>						
17	PERSONAL SERVICES	1,305,305	1,346,054	1,549,625	1,549,625	1,531,854
18	OTHER EXPENSES	1,603,885	1,767,658	1,885,725	1,885,725	1,926,725
	<b>TOTAL</b>	2,909,190	3,113,712	3,435,350	3,435,350	3,458,579
<b>LIBRARY</b>						
19	PERSONAL SERVICES	1,811,877	1,744,280	1,717,764	1,705,000	1,708,396
20	OTHER EXPENSES	603,039	637,484	644,600	544,000	522,800
	<b>TOTAL</b>	2,414,916	2,381,764	2,362,364	2,249,000	2,231,196
<b>UNCLASSIFIED</b>						
21	COMPENSATION FUND			1,193,000		400,000
22	RESERVE FUND			200,000		200,000
	<b>TOTAL</b>			1,393,000		600,000
<b>ANDOVER SCHOOL DEPT</b>						
23	PERSONAL SERVICES	31,936,787	34,338,586	36,651,511	36,503,818	37,031,391
24	OTHER EXPENSES	7,916,482	9,197,168	10,167,995	10,531,317	9,856,875
	<b>TOTAL</b>	39,853,269	43,535,754	46,819,506	47,035,135	46,888,266
Line item 24 includes \$40,000 in insurance collections for student services.						
<b>GR LAW TECH SCHOOL</b>						
25	GR LAW ASSESSMENT	159,847	73,882	75,729	75,729	148,958
	<b>TOTAL</b>	159,847	73,882	75,729	75,729	148,958
<b>FIXED</b>						
26	INTEREST EXPENSE	3,346,165	3,743,640	4,748,243	4,748,243	4,736,818
27	BOND REDEMPTION	6,510,000	7,110,000	7,938,000	7,938,000	8,090,000
28	STABILIZATION FUND	50,000	74,769	0	0	0
29	GENERAL INSURANCE	526,713	541,800	625,000	675,000	736,000
30	UNEMPLOYMENT COMP.					500,000
31	RETIREMENT FUND	3,686,244	3,823,848	3,554,704	3,554,704	3,658,024
32	HEALTH INSURANCE FUND	3,525,000	4,000,000	4,255,000	6,000,000	6,975,000
	<b>TOTAL</b>	17,644,122	19,294,057	21,120,947	22,915,947	24,695,842
<b>GRAND TOTAL</b>		92,551,680	96,669,353	105,178,162	107,186,414	108,020,404
<b>less dedicated Revenues</b>		(2,082,604)	(1,642,750)	(2,253,991)	(2,253,991)	(1,859,707)
<b>NET TOTAL</b>		90,469,076	95,026,603	102,924,171	104,932,423	106,160,697

# Article 4 Budget Appropriations (Net)

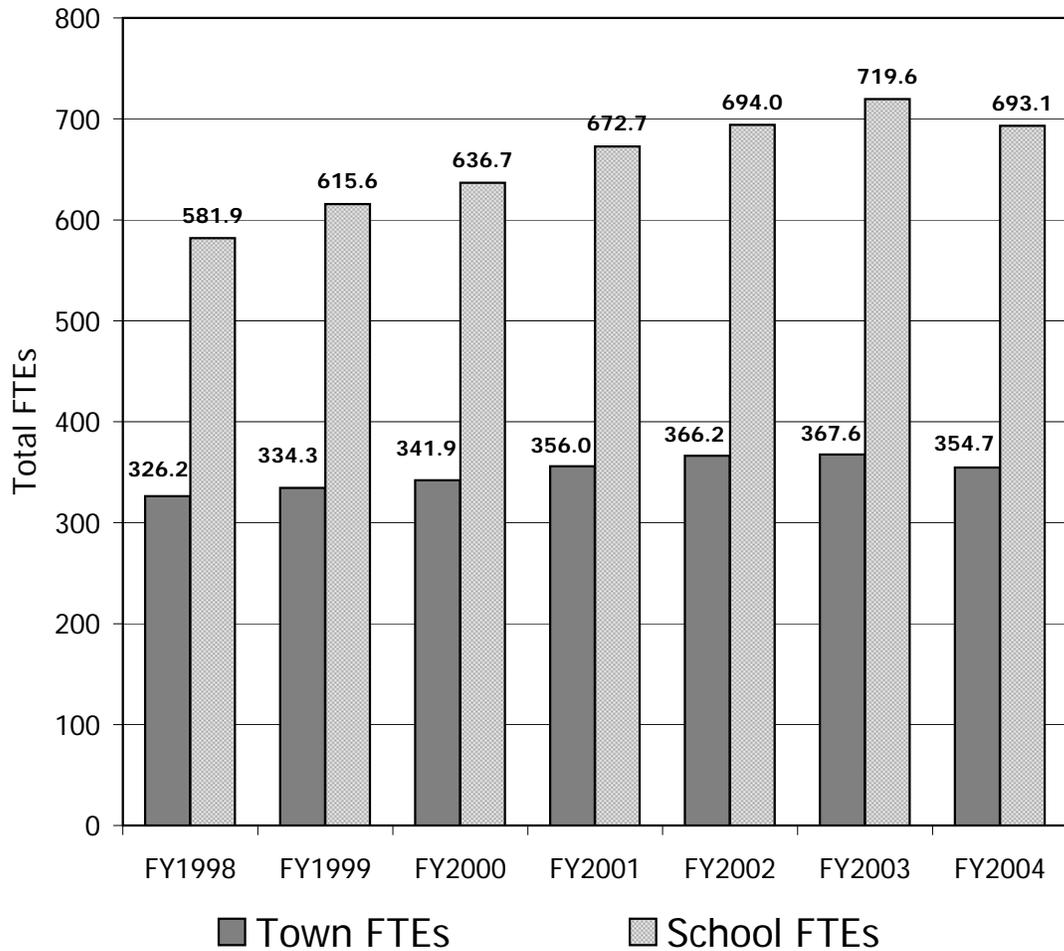
Total & Proportional Change FY1994 - FY2004



	<u>BUDGET</u> <u>FY1994</u>	<u>BUDGET</u> <u>FY2004</u>	<u>% CHANGE</u> <u>FY94-FY04</u>
Capital Improvements Projects	\$881,000 <i>1.6%</i>	\$1,660,000 <i>1.6%</i>	88.4% <i>-0.5%</i>
Sewer Enterprise	\$1,254,627 <i>2.2%</i>	\$1,874,832 <i>1.8%</i>	49.4% <i>-21.1%</i>
Water Enterprise	\$1,988,553 <i>3.5%</i>	\$3,458,579 <i>3.3%</i>	73.9% <i>-8.1%</i>
Fixed & GLTHS	\$12,454,649 <i>22.2%</i>	\$24,844,800 <i>23.4%</i>	99.5% <i>5.4%</i>
Town Departments	\$16,781,511 <i>29.9%</i>	\$27,474,220 <i>25.9%</i>	63.7% <i>-13.5%</i>
School Department	\$22,722,068 <i>40.5%</i>	\$46,848,266 <i>44.1%</i>	106.2% <i>8.9%</i>
<b>NET OPERATING BUDGET</b>	<b>\$56,082,408</b> <i>100.0%</i>	<b>\$106,160,697</b> <i>100.0%</i>	<b>89.3%</b> <i>0.0%</i>

*Note: Does not include supplemental appropriations, transfers, or retained revenues.*

## Town & School Employees (FTEs) FY1998-FY2004



### FISCAL YEAR

	<u>FY1998</u>	<u>FY1999</u>	<u>FY2000</u>	<u>FY2001</u>	<u>FY2002</u>	<u>Budget FY2003</u>	<u>Budget FY2004</u>
<b>Gen Gov.</b>	61.9	67.3	68.5	74.6	76.7	76.9	74.0
<b>Library</b>	32.6	32.7	32.6	33.6	33.6	32.6	30.4
<b>DPW</b>	47.6	47.6	48.6	50.6	53.2	54.4	52.4
<b>Fire</b>	68.7	69.8	72.8	72.8	74.0	74.0	72.5
<b>Police</b>	64.0	65.0	67.5	70.5	73.5	74.5	72.5
<b>Plant &amp; Facilities</b>	51.4	51.9	51.9	53.9	55.2	55.2	52.9
<b>Town FTEs</b>	<b>326.2</b>	<b>334.3</b>	<b>341.9</b>	<b>356.0</b>	<b>366.2</b>	<b>367.6</b>	<b>354.7</b>
<b>School FTEs</b>	<b>581.9</b>	<b>615.6</b>	<b>636.7</b>	<b>672.7</b>	<b>694.0</b>	<b>719.6</b>	<b>693.1</b>